

# AID TO ASIA

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## AID TO ASIA

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**I**NCREASED EMPHASIS was placed on economic assistance to free countries of Asia in the foreign aid estimates transmitted to Congress by President Eisenhower, Jan. 17, with the federal budget for the fiscal year 1956. The total of \$3.5 billion requested for the mutual security program was slightly below what the administration asked last year, but it was about \$700 million more than Congress actually appropriated. The proportion of new funds sought for military aid to Europe has declined sharply, while the share slated for economic assistance to underdeveloped areas in general, and to Asia in particular, shows a significant increase.

President Eisenhower said in his budget message that he would send a special message to Congress later,<sup>1</sup> proposing overall changes in the Mutual Security Act and outlining an expanded economic assistance program for Asia. Although the budget gave no details of the projected Asian program, it reflected what the President called a "coordinated plan" for the conduct of foreign affairs, including long-range programs for mutual security, economic assistance, and expansion of foreign trade and investment.<sup>2</sup>

Several features of the coordinated plan indicate a change in administration thinking about American policy in the world-wide competition with Communism, as well as a shift of emphasis in current overseas operations. First, the administration is proposing to continue indefinitely certain types of defense support and economic assistance for foreign countries, rather than agree to early termination of economic aid on a grant basis.<sup>3</sup> Second, it gradually

<sup>1</sup> Probably not until spring.

<sup>2</sup> The 1956 budget shifted estimates for the non-military sector of the mutual security program, hitherto included with the rest of that program, to the budget category of "International Affairs and Finance," which covers estimates for the State Department, the United States Information Agency, the Export-Import Bank, etc.

<sup>3</sup> The President's Commission on Foreign Economic Policy recommended termination of economic aid on a grant basis, as soon as practicable, in a report submitted Jan. 23, 1954.

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is shifting the emphasis in foreign aid from military to economic defense measures. Third, it is giving higher priority to the needs of those free nations, particularly in the less developed areas of the Middle East, South Asia, and the Pacific, that are trying to raise their living standards.

#### FREE WORLD-COMMUNIST COMPETITION IN THE EAST

Political and economic developments of the past year have combined to accelerate the shift of emphasis toward Asia in the economic aid program. The substantial gains made by Western Europe in 1954 generally exceeded expectations and enabled the European members of the North Atlantic alliance to continue building up their military strength with less dependence on direct help from the United States. On the other hand, the independent nations of South Asia and the Far East generally faced conditions of economic uncertainty and political tension. Although the truce in Indo-China, concluded in July 1954, brought an end to direct combat there, it opened a new phase in the continuing struggle for supremacy—a phase in which Soviet Russia and Communist China are seeking to achieve their objectives by new methods.

In both Europe and Asia there has been a growing belief that the threat of Communist military aggression is receding largely because of the development of western strength and because of the devastating consequences of nuclear warfare. Most of the western allies of the United States believe that for an indefinite period the Soviet Union will try to gain its ends by diplomacy, propaganda, and economic pressure.<sup>4</sup>

Red China's neighbors in Asia expect that the Communists will avoid large-scale military action while trying to extend their influence by infiltration, subversion, and economic measures. Recent foreign policy statements by administration spokesmen have reflected similar beliefs—despite Peiping's threat of military action against Formosa. Both the President and Secretary of State Dulles repeatedly have voiced the conviction that the threat of general war has diminished and that economic competition is becoming dominant in the present phase of the struggle between Communist and free nations.<sup>5</sup>

<sup>4</sup> See "Peaceful Coexistence," *E.R.R.*, Vol. II 1954, pp. 847-864.

<sup>5</sup> President Eisenhower's message to Congress on the Formosa situation did not basically alter the views he expressed at a news conference on Dec. 2 when he rejected Sen. Knowland's demand for a blockade of Red China.

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Provision of economic assistance to Asia has been given urgency by reports of Communist economic activities in the Far East. According to information reaching Washington, Soviet Russia and Red China have stepped up the pace of their economic offensive during the last year. Russian economic aid to China was increased substantially in a series of accords concluded last October. At the same time, Moscow has been offering credits, industrial equipment, and technical assistance to the "uncommitted" nations of Asia, particularly India, Indonesia, and Afghanistan. Both Russia and China have made tempting trade offers to Japan, India, Burma, and other free Asian states in an effort to weaken the economic ties between those countries and the West. It was against this background that administration plans for a coordinated long-range foreign aid program, with primary emphasis on Asia, began to develop last year.

The basic concept, as first disclosed in mid-November by Secretary Dulles and Director Harold Stassen of the Foreign Operations Administration, was not new but projected the President's defense philosophy beyond previously announced goals. It called for a concerted effort by the United States and other industrially advanced nations, in partnership with the less advanced countries of Asia and the Far East, to demonstrate their capacity not only to raise standards of living in those countries but also to outdistance the Communists in promoting effective economic development there.

### SIZE AND COST OF PROJECTED AID PLANS FOR ASIA

First published references to the projected program for Asia exaggerated its probable size and cost by comparing it to the original Marshall Plan for Europe. Actually, nothing comparable to the Marshall Plan was contemplated, although there were differences of opinion within the administration on the size of the initial request for funds. Dulles and Stassen were reported as urging a substantial increase in existing foreign aid programs, while Treasury Secretary Humphrey was described as taking a firm stand against large-scale foreign spending that would swell the federal deficit. The budget estimates now have made it clear that the increase requested for Asia, and for economic assistance generally, was held within relatively moderate limits.

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Details of the program have not yet been worked out; they are in process of development within a Cabinet-level agency created by President Eisenhower early in December. The new agency—the Council of Foreign Economic Policy—is headed by former Budget Director Joseph M. Dodge, who was recalled to government service to devise the strategy for a sustained overseas economic and financial program.<sup>6</sup> Conceived as a permanent advisory board in the field of foreign economic policy, tying in closely with the National Security Council, one of the tasks of the Dodge group has been to coordinate the plans for economic aid to Asia.

President Eisenhower's budget message defined objectives and fixed the initial limits of the Asian program within the framework of the general mutual security program. The President requested a total of \$3.5 billion for all forms of foreign assistance, compared with \$3.4 billion requested and \$2.8 billion finally appropriated last year.<sup>7</sup> Of the total new money requested, approximately \$2 billion was earmarked for military assistance and \$1.5 billion for economic aid. Actual expenditures for mutual security in fiscal 1956, including funds carried over from previous years, were estimated at \$4.7 billion—some \$400 million more than estimated expenditures for the current fiscal year.

In advance of President Eisenhower's special message on the mutual security program, no attempt has been made to break down the current budget estimates by region, and no indication is given of the amounts that may be allocated to individual countries. However, comparison of the new estimates with foreign aid appropriations and expenditures in previous years clearly reveals the shift in emphasis from military assistance to various types of economic cooperation and technical aid, and underlines the importance now attached to the less developed areas of Asia. In support of aid to Asia, the President said in his budget message:

In Asia, active warfare has only recently ceased and the free countries of this continent continue to face the threat of Communist subversion and external aggression. We therefore have been fur-

<sup>6</sup> The council, created by executive order on Dec. 11, 1954, is composed of the Secretaries of State, Treasury, Commerce, Agriculture, and the Director of the Foreign Operations Administration, in addition to Chairman Dodge.

<sup>7</sup> Actually, this year's foreign aid request was somewhat smaller than last year's, as funds for direct military support of the Korean army, carried in the Defense Department budget in fiscal 1955, have been transferred to the mutual security program.

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nishing and propose to continue to furnish defense support to several countries, including Korea, Formosa, Viet Nam, Laos, and Cambodia . . .

Unless such support is provided, we may expect economic deterioration and dangerous reductions in the military defense of the free world. Moreover, without such assistance these countries, most of which border on Russia and Communist China, will not achieve the economic progress which is necessary to meet the threat of Communist subversion.

Although more than one-half of the new funds sought in the budget for foreign aid is scheduled for military assistance, economic aid makes up a larger proportion of the total (43 per cent) than in any year since the mutual security program went into full operation in 1951.

### SHIFTING OF AMERICAN AID FROM EUROPE TO ASIA

Roughly three-fourths of the foreign aid budget went for direct military assistance during the peak years of the North Atlantic Treaty build-up, in 1951 and 1952, and the proportion of military aid continued to range between 68 and 78 per cent through fiscal 1955. Europe had top priority in the early years of the program, when the N.A.T.O. countries received about 75 per cent of the funds appropriated, with Asia and the Far East receiving only about 15 per cent through 1953.

Aid to Asia increased sharply during fiscal 1954 when Congress appropriated a record \$2.2 billion for that area, chiefly in the form of military assistance to Indo-China and defense support for Korea and Formosa; less than 10 per cent of the Asian grants went into economic development and technical assistance. Much the same proportions have been maintained in the present fiscal year; \$1.4 billion, or roughly one-half of the total 1955 appropriation for foreign aid was allocated to the countries of South Asia and the Pacific, and the bulk of the new money was earmarked for military assistance and defense support.<sup>8</sup>

With greater emphasis on Asia in the 1956 budget, it is assumed that more than one-half of the new money requested will be allocated to that region, and that the proportion for economic and technical aid will be considerably larger than in the past. Actual expenditures in the region might run higher than the budget estimates if unexpended

<sup>8</sup> However, some \$700 million authorized for Indo-China was made available for either military or economic purposes in Asia after the cease-fire in that country.

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funds carried over from previous years were fully utilized. The carry-over this year ran into hundreds of millions of dollars, and a similar carry-over next year would boost the amount available for military and economic assistance considerably above the previous peak — also above the amount that Congress would be likely to authorize for expenditure.

#### CONGRESS AND THE FUTURE OF FOREIGN ASSISTANCE

Leaders in the new Congress have made it clear that the Legislative Branch intends to play a major role in formulating any new program for the indefinite extension of foreign aid, whether in Asia or in other parts of the world. In offering to cooperate with the administration in a bipartisan approach to questions of national security and foreign affairs, Democrats have demanded a voice in the making of policy before irrevocable commitments are entered into. Even the Republican 83rd Congress not only gave the President less than he requested for foreign aid last year, but also showed a disposition to terminate the greater part of the mutual security program within the next two years.

Economy-minded Republicans and Democrats urged curtailment of economic aid on a grant basis and demanded termination of the Foreign Operations Administration as an independent agency by June 30, 1955. This year leading Democrats have said they will insist that F.O.A. go out of business on that date, as provided by the current authorization act; continuing functions, such as the Point IV program, would be turned over to permanent government departments.

In dealing with the administration's foreign economic policy as a whole, Congress will want to weigh carefully the reasons why the Executive Branch is pressing for continuing and increasing aid to Asia. These involve important judgments regarding the changing character of relations between the free and the Communist worlds. They reflect decisions on the role of government aid and the possibilities of stimulating the flow of private capital for economic development to countries demanding higher living standards. They reflect also careful consideration of economic and political trends in underdeveloped Asia and the growing competition between Communist China and the independent nations of free Asia.



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## Free Asia's Economic Needs and Capacities

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THE REGION of primary concern to the United States in development of its long-range foreign economic plans is a vast crescent-shaped area stretching from the Mediterranean across the Middle East and the Indian subcontinent to Southeast Asia and the islands of the Pacific. It occupies more than five million square miles and holds some 700 million people, or nearly one-third of the world's total population. Although not a geographic or political entity in itself, the region forms the strategic perimeter of the huge Asiatic land mass at the center of which Communist China occupies another four million square miles inhabited by close to 500 million people.

The 16 independent countries around the perimeter of Asia<sup>9</sup> have many problems in common and share many basic economic needs. They are all (with the exception of Japan) primarily agricultural countries with relatively undeveloped economies. Their standard of living is low; for centuries their peoples have suffered from food shortages, disease, high infant mortality, and illiteracy. Most of the new independent nations of Asia have lived until recently under some form of colonial rule or foreign tutelage. Ten of the 16 countries have gained their independence since World War II,<sup>10</sup> and all still have deep-seated fears of foreign domination.

Virtually every country in the region has been striving to forge ahead in agricultural and industrial production by adopting programs of land reform, reclamation and irrigation, power development, transportation and public health. All have faced difficult economic and financial problems, and most have lacked the resources and technical skills to achieve the ambitious goals set by their leaders.

The region as a whole depends chiefly upon foreign trade to provide the income for capital equipment and manufactured goods not obtainable within the area. The

<sup>9</sup> These countries are Iran, Afghanistan, Pakistan, India, Burma, Nepal, Ceylon, Indonesia, Thailand, Cambodia, Laos and Viet Nam, Philippines, Nationalist China (Formosa), Japan, and Korea. Outside the perimeter but within the Asian orbit are 11 Middle East countries which have received some form of economic aid from the United States.

<sup>10</sup> The Philippines became independent in 1946; Ceylon, Burma, India, and Pakistan in 1947; Indonesia in 1949; Laos, Cambodia, and Viet Nam in 1954. Korea gained freedom from Japanese control in 1945 but has not yet achieved unity.

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major part of the foreign trade is with non-Asian countries, rather than between the Asian countries themselves. Thus the volume of foreign trade is determined very largely by world conditions; changes in world demand affect the prices of raw materials exported by the Asian countries, while changes in world supply affect their import costs.

Chief exports of most of the countries are limited to two or three staple commodities. More than 80 per cent of Pakistan's exports are jute and cotton; over 70 per cent of Ceylon's exports are rubber and tea, and the bulk of Indonesia's export trade is in rubber, oil, and tin. Burma and Thailand are the only important countries whose foreign trade is predominantly within the region; both are food surplus nations that raise more rice than they consume and export the surpluses to neighboring countries. Most of the others are food deficit nations; Ceylon, India, Indonesia, Japan and (in bad grain years) Pakistan all need more grain than they produce. Consequently, the most advanced countries in the region are dependent upon others for staple foods, while the basic economy of the entire region is vitally affected by rising and falling commodity prices in the world market.

The Korean war boom of 1950 and 1951 sharply raised commodity prices, boosted export earnings, lifted national incomes, and thus enabled most countries in the region to finance development programs from their own earnings. But the favorable market conditions did not last long. Prices of Asia's export commodities began to fall in 1952, and the volume of foreign trade continued to decline through 1954. Despite an increase in food production within the region, the total value of exports dropped about 20 per cent last year, while imports fell 30 per cent below the 1952 levels.<sup>11</sup> As a result, many countries encountered severe balance-of-payments troubles and loss of revenue, which in turn made more difficult the financing of national development programs from their own resources.

#### NEED FOR FOREIGN CAPITAL AND TECHNICAL SKILLS

The two basic problems that have plagued all the independent states of Asia have been (1) how to increase the rate of capital investment for development purposes, and (2) how to train enough skilled workers, technicians, and

<sup>11</sup> Exports and imports of individual countries varied considerably, and prices of a few commodities rose contrary to the general trend.

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experts for major projects in the fields of agriculture and industry, and for public administration. National income is too low to afford the savings needed to finance essential development programs. Japan, economically the most advanced country in Asia, has an annual per capita income of only about \$175 and other Asian countries are far behind Japan. Comparable per capita figures for India are \$57, Pakistan \$51, Philippines \$44, Thailand and Burma \$36, Indonesia \$25.

Lack of skilled workers and technicians has been a major retarding factor in every country in the region, with the exception of Japan. Most of the independent nations recognize their deficiencies and have been looking to the free world—chiefly the United States and Europe—for investment capital, industrial equipment, and technical assistance. They have received limited technical aid, both from the United States and through the United Nations, but relatively little outside private capital.

Such financial assistance as they have obtained for development purposes has come largely from American and British government grants and credits, and development loans by the World Bank. Net private capital investment in all of Southeast Asia has been flowing at the rate of only about \$25 million a year—a negligible amount in terms of Asian requirements.<sup>12</sup>

Although the independent nations of Asia have been looking to the free world for cooperation in advancing their national development plans, they also have been watching Red China, where a Communist government has been trying to achieve rapid economic gains by totalitarian methods. The Asian nations have differed among themselves on how to deal with China. Some, like Korea and Viet Nam, have been victims of Communist military aggression; others, such as Pakistan, Thailand, and the Philippines, have joined the western powers in collective defense agreements to deter further Communist expansion; still others, led by India, Burma, and Indonesia, have remained uncommitted in the cold war. But all of Asia has felt the competition of Red China in one form or another and has been observing the struggle for supremacy between the two opposing systems.

<sup>12</sup> Slightly more than one-half of the private capital has come from the United States, most of the remainder from the United Kingdom, Germany, and British Commonwealth nations.

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### RED CHINA'S EFFORTS TO REGISTER ECONOMIC GAINS

Competition between the systems has been epitomized, in the eyes of many Asians, by the efforts of the two largest nations in the East — Communist China and democratic India — to achieve the maximum material benefits in the shortest possible time. On the mainland of China, the Communist rulers in Peiping are employing the ruthless methods of Soviet Russia to carry out revolutionary changes which they claim are bringing economic gains and improving the common lot of 460 million Chinese. In India, a freely elected government is striving to gain a higher standard of life for 360 million Indians by constitutional democratic processes.

Western experts have little reliable evidence on which to check Communist claims of economic achievement in Red China. However, surveys based on official and unofficial reports from mainland China throw considerable light on significant trends and developments.<sup>13</sup>

*National Income.* China's national income of about \$12 billion is well above pre-1949 (pre-Communist) levels but amounts to only about \$25 per capita.

*Agriculture.* Production of food crops, after dropping to about 78 per cent of the pre-1949 peak, rose to 100 per cent in 1951 and to 110 per cent at the beginning of 1953. The land reform program, which has liquidated the entire landlord class, was virtually completed by end of 1952 in areas with a total population of 300 million persons. Moves toward the eventual Communist goal of collectivization have been delayed.

*Industrial Production.* Index based on pre-1949 peak of 100 rose from 78 in 1950 to 143 in early 1953. Coal production was still lagging; electric power, machinery, iron and steel were reported from 10 to 50 per cent up, with new power plants and steel mills receiving top priority. China's steel production is slightly below that of India, but planned increases call for more than doubling rolled steel output by 1957.

*Capital Investment.* Heavy taxes and the profits from state enterprises have been the chief sources of funds for

<sup>13</sup> C. M. Chang, "Five Years of Communist Rule in China," *Foreign Affairs*, October 1954, pp. 98-110; *United Nations Economic Bulletin for Asia and the Far East*, November 1953, pp. 16-31.

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development programs. About 44 per cent of the 1953 national budget went into new construction, with emphasis on capital equipment for heavy industry, hydroelectric development, and transportation. Funds for all development purposes were said to have been 40 per cent larger in 1953 than in 1952.

*Foreign Trade.* U. N. and U. S. trade embargoes, instituted during the Korean war, cut Red China's commerce with the free world by nearly 70 per cent and resulted in a proportionate increase in trade with Russia. About 74 per cent of China's total foreign trade in 1953 was with the Soviet Union and its satellites; the volume of trade almost doubled between 1951 and 1953. Soviet accords, announced Oct. 11, 1954, called for long-term Soviet credits of \$230 million to assist China in major enterprises.

The meager evidence available does not confirm Communist propaganda claims that Red China is outdistancing all her neighbors in the race for economic improvement. Although some Asian nations have been impressed by China's admitted gains in restricted fields, others have been repelled by the cost in human lives of Peiping's ruthless methods and have been scanning the efforts of India to achieve like gains under democratic processes.

#### PROGRESS OF INDIA IN ECONOMIC DEVELOPMENT

India, the most populous self-governing nation in the free world, has been striving to reach a set of minimum development goals projected in the government's first five-year plan, which is scheduled for completion in 1956. The goals place primary emphasis on agricultural requirements but take into account other basic economic needs. Present development plans call for extensive land reclamation, irrigation, improvement of the transport system, and major industrial development. Both public and private funds are being invested in the program, which will require outlays of about \$4.3 billion over the full five-year period. Approximately 60 per cent of the total so far has come from public funds and the remainder from internal private investments and foreign aid. Foreign aid contributions to date have amounted to about \$500 million, of which roughly one-half has been supplied by the United States.

India's economic base is broader than that of mainland China. Its national income is considerably higher — ap-

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proximately \$19.5 billion compared with China's \$12 billion. Indian agriculture and industry are more diversified. The country's foreign trade is both larger and more varied. India has replaced Japan as the world's largest producer of cotton yarn. Yet India does not produce enough food to supply its own population; the living standards of millions of people in small villages are appallingly low; agricultural methods are primitive; illiteracy is high.

Because of its basic deficiencies in agriculture, India has allocated about 30 per cent of its development budget to farm and community projects, including irrigation, land reclamation, water supply, and sanitation. Roughly 23 per cent of the total has been earmarked for transportation and communications, 18 per cent for multi-purpose projects and power development, 20 per cent for public health, education and other social services, and about 8 per cent for direct industrial development.

Progress during the first three years of the five-year plan has been encouraging but not spectacular. Important gains have been scored in both agriculture and industry; food production has shown a steady upward trend, rising about 15 per cent between 1951 and 1954; industrial production has increased about 30 per cent. Irrigation has been extended to over eight million acres, the transport system has been improved substantially, new power projects have been launched with modern hydroelectric and thermal installations under way, and steady progress has been made in the fields of health, sanitation, and education.

Despite the progress registered, adverse factors have retarded the rate of new capital investment and slowed the attainment of major development goals. Falling commodity prices and declining foreign trade since the Korean war have reduced government income and contributed to a budget deficit. Private investment has been below expectations, and native private industry has not been able to raise the capital it requires for its development needs. Consequently, the government has been compelled to increase the public contribution to the overall program.

India's development plan has been described in some quarters as a socialist program. Prime Minister Nehru has not denied that his government has socialist objectives much like those of the Labor party in Great Britain, but he has insisted that India's economic needs require full



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utilization of private as well as public initiative. Nehru has defended the five-year plan against critics from the extreme right and the extreme left; he has rejected Marxist economic theories and Communist political methods, but he has insisted on strict government regulation of private industries operating in such fields as power, transportation, and finance. Nehru told a meeting of the Indian Congress party on Jan. 17 that the public sector of the economy should be enlarged to carry out projects in the national interest, but that the private sector must be given freedom to function within established regulatory controls.

The International Bank has found India a good risk for development loans and has advanced a total of \$140 million to that country, but private foreign capital has made only a relatively small contribution to the development program. In recent years there have been a few notable exceptions. Several American oil companies, including Standard Vacuum and Caltex, are installing important new oil refineries under a contract that insures them against nationalization for 20 years. A German combine is investing some \$20 million in a modern steel plant, which it is helping to construct under an agreement with the Indian government. In comparison with India's total needs for development capital, however, the current flow of private capital from the free world is relatively insignificant.

If investment capital is not available in the West on terms acceptable to both sides, India may be tempted to accept Soviet offers of credits and technical assistance. Moscow recently has come forward with several proposals, one of which includes a bid to construct a steel plant comparable to that being built by the Germans.

#### ECONOMIC POTENTIALITIES OF THE COUNTRIES OF ASIA

Most of the independent countries of South Asia and the Pacific have been struggling with economic problems very like those faced by India. Few nations in the region are capable of supporting large defense establishments. Three countries—Pakistan, Thailand, and the Philippines—joined the United States and four western powers in a collective defense pact signed at Manila Sept. 8 last year.<sup>14</sup> The United States has extended mutual defense assistance to

<sup>14</sup> Foreign ministers of the signatory states are to meet at Bangkok on Feb. 23 to consider further steps toward implementing the treaty, which is now before the U. S. Senate and is expected to have been ratified by other countries before that date.

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those countries and to Japan, Nationalist China (Formosa), Viet Nam, Iran, and the Republic of Korea, whose army constitutes the strongest national military force in free Asia today. None of the other recipients of American military aid (except Japan) has an economic base of sufficient strength to maintain an army the size of Korea's.

A number of Asian countries have been unwilling to accept American military aid. India, Burma, and Indonesia have remained uncommitted in the cold war, proclaiming their independence in dealing with both sides and urging other nations in Asia and Africa to join in efforts to reduce world tensions.<sup>15</sup> Opposing Communism within their own borders, the leaders of these countries have placed first priority on economic defense measures which, they believe, constitute their best protection against subversion from the outside.

Capacities for economic development vary widely among the individual nations. Pakistan and the Philippines have per capita incomes roughly comparable to that of India, and both have made notable gains in the last few years. Ceylon, on a small scale, has developed a highly efficient agricultural economy and an effective public administration. Burma and Thailand, as food surplus countries, have been able to invest their earnings from foreign trade in major power and transportation projects. Indonesia, with 78 million people crowded into its scattered island republic, has faced a trade deficit with declining commodity prices, and has made less progress with its economic development programs. Viet Nam, separated from its northern territory by the Indo-China truce, has been struggling to establish a stable government and to carry out long-deferred land reforms before the national elections in 1956, which will determine whether the southern half of the nation is to survive as an independent state.

Several free Asian countries have rejected American economic aid as well as military aid, and some have been inhospitable to private capital from abroad. Burma terminated its economic assistance agreement with the United States in 1953, apparently fearing that economic aid would lead to political pressure. Indonesia has accepted only lim-

<sup>15</sup> Prime ministers of the three countries, together with the leaders of Pakistan and Ceylon, met in Indonesia Dec. 28-30 and issued invitations to 25 other Asian and African states—including both Red China and Japan—to participate in a conference next April for the declared purpose of advancing the common interests of nations in the area.



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ited technical assistance from this country. Ceylon, though strongly anti-Communist, has been denied American aid because of its trade with Red China—a trade that has been continued chiefly because Ceylon has been unable to dispose of its surplus rubber in the free world market.

Asian attitudes toward offers of foreign aid have been influenced by other factors, not primarily economic. Nationalism, fear of foreign domination, and deep hostility toward all forms of colonialism have been dominant forces in the region. Some of the newly independent states have been reluctant to accept assistance from either side in the belief that the offers could not be made without strings attached. Despite Communist pressure and the propaganda theme of "Asia-for-the-Asians," no independent nation in the region has accepted aid from Soviet Russia or Red China up to the present time.

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### Scope of Current Aid Programs in the East

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THE NEW foreign aid recommendations submitted by President Eisenhower in his 1955 budget message took into account Asian aspirations and sensibilities, as well as long-range economic needs and defense requirements. The President not only called for indefinite continuation of direct foreign aid by the United States, but also urged Congress to extend and broaden American cooperation with international agencies, including the United Nations technical assistance program, the World Bank, and the proposed International Finance Corporation. He placed particular emphasis on measures designed to increase the flow of investment capital to underdeveloped areas and stressed the importance of technical cooperation in such fields as agriculture, health, and education.

#### OPERATION OF U. S. MUTUAL ASSISTANCE PROJECTS

Current projects devoted exclusively to economic development and technical assistance represent only a small fraction of the total United States foreign aid budget. The mutual security appropriations for fiscal 1955 allocated only about 6 per cent of the total for economic development and 6½ per cent for technical aid to all countries,

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compared with more than 87 per cent for all forms of military assistance and defense support.<sup>16</sup> Asia's share of the \$371 million appropriated for both economic development and technical assistance amounted to about \$260 million. The bulk of foreign aid for Asia has gone to Korea, Formosa, and Indo-China for military purposes, with Japan, Pakistan, and Iran receiving relatively small sums for defense support. Since the truce in Indo-China, funds earmarked originally for the military defense of Viet Nam have been reallocated to economic and defense support programs in that country and other Asian states.

Economic development and technical assistance programs have operated most successfully in Korea, India, Iran, Pakistan, Thailand, and the Philippines, with limited technical cooperation projects in Indonesia. Korea's relief and rehabilitation program has been a major factor in that country's recovery from the war. India's development program has received important assistance from the United States, with about \$60 million in fiscal 1954 and 1955 going into modernization of the country's transport system. Technical aid to both India and Pakistan has been directed chiefly toward agricultural development, a major goal of both nations. Experts in the fields of health and sanitation have been working in all of the Asian countries now cooperating with the United States.

All economic and technical aid projects have been worked out jointly by the United States and the governments of cooperating countries, and most have been financed jointly under provisions of the individual national development plans. For example, the new Philippine government under Magsaysay has appropriated funds for major agricultural development programs financed jointly under contracts with the Foreign Operations Administration. In the autumn of 1954, approximately 1,750 American technicians and experts were serving abroad in all types of cooperative economic projects, with about two-thirds of them working in countries of the Middle East, South Asia, and the Pacific.

#### UNITED NATIONS PROJECTS AND THE COLOMBO PLAN

As part of its total foreign aid program, the United States has contributed to United Nations technical assistance

<sup>16</sup> The term "defense support," as used in mutual security authorizations, includes consumption goods and capital equipment to support the general economy of countries receiving direct military aid.

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projects since their inception in 1950. Last year Congress held up the contribution of about \$13.9 million for 1955, pending review of the U. N. program by the 84th Congress. President Eisenhower recommended in his budget message that funds now be authorized for both 1955 and 1956. Currently in its fifth year, the U. N. program has provided technical assistance to some 76 countries and territories with the costs shared by more than 60 governments. According top priority to the countries of Asia and the Far East, the United Nations has allocated about one-third of its technical assistance budget to that region. Burma and other Asian countries that have not received American aid in recent years have participated actively in the U. N. program.

Another international program which has been functioning effectively in Asia is the regional cooperative enterprise known as the Colombo Plan. Conceived initially in 1950 as a plan for stimulating economic development among British Commonwealth members in the region, the plan has been expanded to take in most of the independent nations of Southeast Asia—Burma, Ceylon, India, Indonesia, Japan, Nepal, Pakistan, Cambodia, Laos, Viet Nam, and the Philippines. The United States has been a member of the group since 1951, along with Britain, Canada, Australia, and New Zealand, all of which have made substantial contributions in both grants and technical aid to economic development of the region. The Colombo Plan — actually a kind of consultative committee—might become a central framework within which the more advanced free countries would work together with the less advanced for economic progress in Asia.

In stressing the need for new capital investment in underdeveloped areas, President Eisenhower asked Congress to authorize American participation in a proposed International Finance Corporation to be established as an affiliate of the World Bank. Unlike the present International Bank, the corporation would be empowered to provide venture capital by making certain types of investment loans to private enterprises without government guarantees. For this purpose the 1956 budget earmarked \$35 million for the United States share of the corporation's proposed capital of \$100 million.